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APRIL 1988

Incentive Marketing

A BILL PUBLICATION

INCORPORATING INCENTIVE TRAVEL

PREMIUM INCENTIVE SHOW - 50th YEAR

TRENDS

WHAT'S AHEAD IN MOTIVATION

PLUS:

- How car makers cement dealer ties
- The high price of phony promotions
- Legal Q & A
- Dealer FACTS survey

Corporate America has suffered a rude awakening. Persistent quality and productivity problems have forced executives to acknowledge that U.S. business needs more than spit and polish to meet the challenge of overseas competition. Capturing the incentive of American workers has become a top priority. . . .

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April 1988 84th year, Vol. 162, Number 4

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Incentive Marketing Incorporating Incentive Travel* (ISSN 0019-3364; USPS 799-880) is published monthly by Bill Communications Inc., 633 Third Ave., New York, NY 10017. Subscriptions: US/Canada—$36; Foreign—$52; Single Copies—$3.50; December Facts Issue—$15. Copyright 1988 by Bill Communications Inc., all rights reserved. Postmaster: Send change of address to INCENTIVE MARKETING, Circulation Dept., 110 N. Miller Rd., Akron, Ohio 44313. Second Class postage paid at New York, NY, and at additional mailing offices.

PREMIUM INCENTIVE SHOW · 50th YEAR

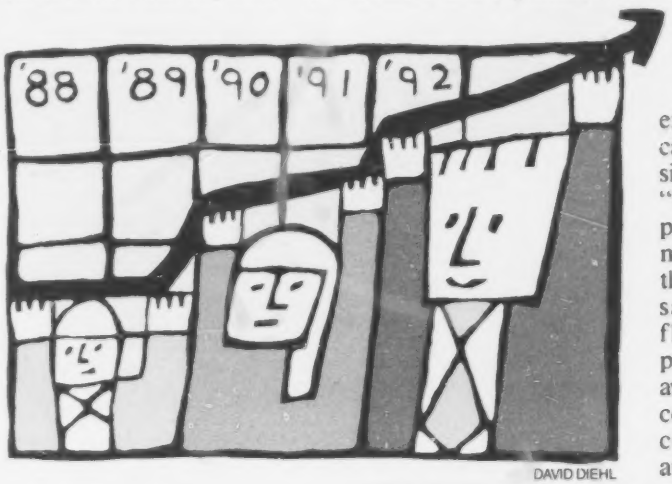
TRENDS

WHAT'S AHEAD IN MOTIVATION

CONTINUED FROM COVER

Companies have discovered that it is not enough to motivate consumers and dealers to buy or salespeople to sell. They must motivate employees to deliver the marketing promise.

Leading-edge corporations no longer view consumer promotion as a separate entity from sales and other employee motivation campaigns, according to Forest Harwood, chairman of the Promotional Marketing Association of America, New York, and manager of consumer promotion for Frito-Lay Inc., Plano, Tex. "For a consumer promotion to have maximum impact, companies have discovered that they must motivate their internal staff to do a better job of selling and serving," Harwood said. What has emerged is an intimate link between internal and external marketing.



DAVID DIEHL

"This country suffers from a lack of service," said Philip Lynch, president of National Premium Sales Executives, Union, N.J., and also of Carlisle Marketing, Larchmont, N.Y. "We've become so mass merchandise and price-oriented that service has eroded in all sectors. Companies realize that better service along with good quality products get customers to buy."

The new stress on quality has focused more attention on incentive programs as a means of motivating all employees. Viewing all workers as salespeople, companies increasingly borrow from established sales motivation methods in their nonsales efforts. And that means noncash incentives like merchandise and travel will be used more frequently.

"People perceive cash as compensation," said Jeff Strayer, president of the Incentive Manufacturers Representatives Association, Naperville, Ill., and vice president of Marketing Motivators Inc., Canton, Ohio. "Once they get it, they expect to receive it the following year despite their productivity level. However, merchandise or travel is perceived as a reward, as recognition for achieving a goal."

This helps explain why noncash awards already have made such inroads in sales motivation. In its 1987 survey, "People, Performance and Pay," the American Productivity Center found that noncash awards were used in sales incentive campaigns by more than half of the 1,600 respondents.

According to the report, "only 19 percent of respondents could make an estimate of the incremental sales or revenue due to their traditional salary with commission compensation plans. In contrast, 35 percent could say what they got from special cash bonuses and 47 percent were able to provide data on the incremental value of noncash incentives."

Why do corporate executives use noncash awards? Twenty-six percent cited their "trophy value"; 22 percent said they are more promotable than cash; 18 percent said they are more flexible than cash; 10 percent said they avoid confusion with compensation; 9 percent said noncash awards are less expensive than cash, and 4 percent said noncash awards are consistent with customer incentives.

The study indicated that noncash awards already are appearing in a wide variety of incentive programs geared to nonsales employees.

The trend is confirmed by a study of buyers who attended last year's Incentive Travel & Meeting Executives Show in Chicago. Conducted by Ralph Head & Associations for Hall-Erickson Inc., the show sponsor, the study found that 16 percent of buyers at the show purchased travel for nonsales employees in 1987.

"Companies are spending more money on their employees, dealers and distributors to maintain their loyalty," said Fay Beauchine, president of the Society of Incentive Travel Executives, New York, and director of meeting, incentive and tour sales for Northwest Airlines, Minneapolis. She believes that travel awards offer culturally enriching experiences

Motivation is a major concern

These are today's top human-resource issues, according to a recent survey of 494 companies.

Productivity improvement	57%
Compensation/rewards	57
Training and development	30
Succession/human-resource planning	8
Recruitment	8
Morale	8
Participation/communication	8
Appraisal/evaluation	7
Culture change	7
Structure reorganization	6
Strategy/direction setting	6
Turnover	5
Quality improvement	3

Source: *Hay Management Consultants, Chicago*

—an important complement to the material needs met by cash compensation.

Sales motivation, the fastest-growing incentive category during the past decade, will continue to expand. "As executives refine their methods and measurements in sales-force motivation, effectiveness will be enhanced," said Richard MacDonald, president of the Association of Retail Marketing Services, Red Bank, N.J., and premium sales manager for the Black & Decker Corporation, Hunt Valley, Md.

"More marketers are cracking down on the rules, evaluating the promotion and making sure that objectives are met," added IMRA's Strayer.

The continually growing sophistication of sales motivation users leads to more careful and creative selection of incentive awards. For example, companies are using more individual travel awards, which reward performance but eliminate the problem of having too many people out of the office at one time.

But none of this activity has supplanted the importance of building customer loyalty. "One-shot trial is no longer good enough," said PMAA's Harwood. "Companies need to lock in a consumer's loyalty for a brand, service or store over a period of time." Continuity programs like frequent-buyer offers help companies communicate their image through the use of quality awards, he said.

Thanks to computers and automated inventory and checkout systems, marketers have more demographic information to target marketing campaigns to specific audiences, said NPSE's Lynch. Database marketing has given birth to more "account specific" promotions. "Manufacturers and retailers are no longer adversaries, but partners," said Joseph Flanagan, president of the Council of Sales Promotion Agencies, New York, and president of Impact, a Chicago-based sales promotion agency. "Manufacturers are looking to develop specific programs that will meet the needs of individual retailers."

Checkout scanners that can selectively deliver coupons and other promotional material will further refine the targeting process. ■

—Joanne Levine

50th year for N.Y. show

The Premium Incentive Show, which celebrates its 50th anniversary in May, sports a new look for 1988: 32 islands of travel exhibits interspersed on two levels of merchandise booths.

As part of its anniversary celebration, the New York show will feature a retrospective of "classic" incentive promotions created during the past 50 years. Some of the promotions are:

- Silver Dust Dish Soap's 1939 in-pack dish towel;
- "Bring Them Back to Chevrolet," which offered merchandise prizes to dealer employees for winning new service customers and signing up wholesale parts accounts in 1947;
- General Mills' 1947 self-liquidator, which offered a 14-piece cake set for $1 and a Softasilk Cake Flour box top;
- Fedders' 1954 travel incentive for air-conditioner dealers, which offered a five-day trip to Florida with purchase of 45 units;
- Quaker Oats' 1955 "Gold Rush," which tied into the company's "Sergeant Preston of the Yukon" radio show and offered an in-pack deed to one square inch of

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Genuine leather 5pc luggage set (not pictured)
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$84.00 each; $76.50 in lots of 4; $64.50 in lots of 100
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#LUR5

#LUR5 5pc Luggage - $54.40 each; $48.96 in lots of 5; $39.95 in lots of 100

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Circle No. 105 on Buyer Action Card

Sales results have dropped slightly in the past year, but marketers continue to increase dealer motivation expenditures.

FACTS

DEALER INCENTIVE SURVEY

Trade motivation programs are delivering a little less sales growth than they have in the past three years. But the results are still sound, and marketers are adding as much to their dealer incentive budgets this year as they did in 1987. Last year, users spent an estimated $2.5 billion on non-cash incentives for retailers, w[illegible]salers and other middlemen. Now, a reader [illegible]ey finds that they are boosting budgets another 4[illegible]ercent this year.

The average sales gain, reported by 138 companies in a reader survey, is 16.2 percent. This comes after three years of increases above 18 percent. The median, however, has held steady at 15 percent for five years.

In most earlier surveys, users indicated that actual results were slightly better than their original targets. This year, however, the average *goal* is more than a point higher than reported results: 17.5 percent.

If some are disenchanted with these recent sales figures, they have no cause for complaint about the cost of their programs. Measured as a percentage of incremental sales, the median cost of dealer incentive campaigns is 10 percent, exactly as it has been for five years.

Distributors and wholesalers are the biggest target group for these incentive users, mentioned by 56 percent. About 39 percent aim promotions at retailers, 24 percent at commercial and industrial dealers, and 13 percent at service contractors. A considerable "other" category, mentioned by 22 percent of survey respondents, includes insurance brokers, beauty salons, direct-selling agents, farm stores, etc.

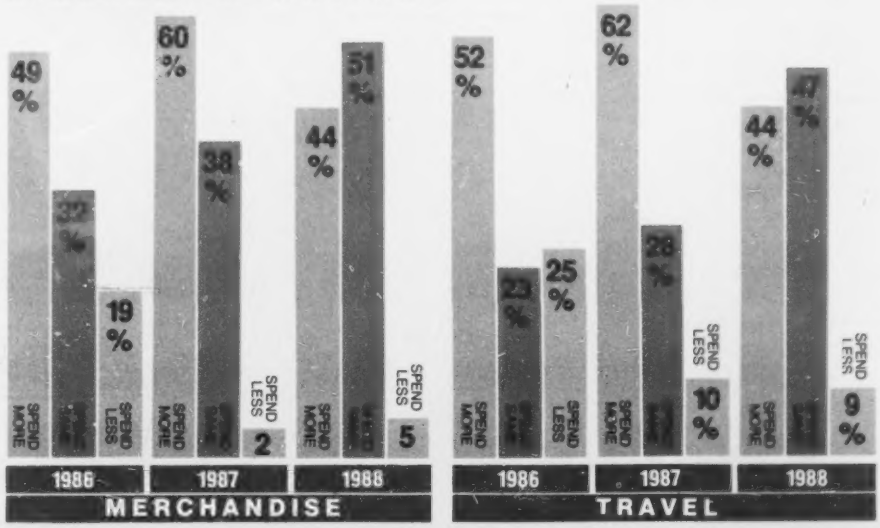
In the retail category, specialty stores account for 15 percent; grocers, 10 percent; variety or department stores, 7 percent; drugstores, 4 percent, and service stations, 3 percent.

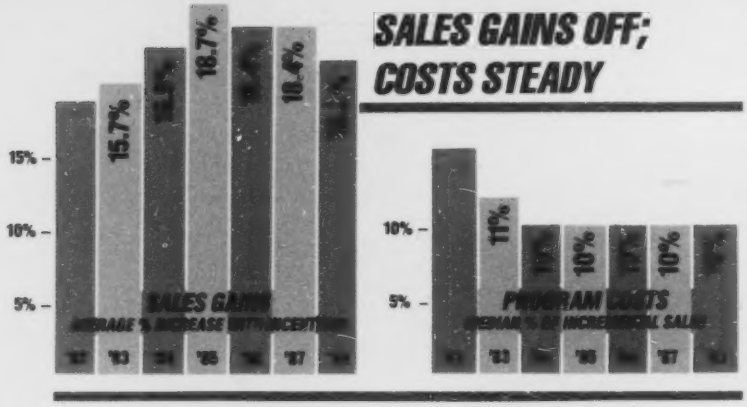
Participation has held steady since last year's study, with an average of 53.5 percent accepting incentive promotions.

Users of incentive travel are doing the most

LOOKING AHEAD

SPENDING PLANS FOR DEALER INCENTIVES





Measured as a percentage of incremental sales during the promotion period, the median cost of a dealer incentive campaign is 10 percent.

restructuring this year. The cost of travel awards has zoomed to a record high. The average trip cost per winner is now $2,221, compared with $1,797 a year ago. The median has risen to $1,775 from last year's $1,500. The *per-person* average has climbed to $1,222, from $1,113 a year ago.

With merchandise, these executives have held the line much better. The median unit cost has dropped back to $50, after a jump to $60 a year ago. The individual average cost is $228, up from $188.

With the higher costs of travel, it is not surprising that travel users plan to increase their spending this year more than those who offer merchandise. Within the overall 4.7-percent increase in expenditures, travel dollars are up by 5.9 percent, while merchandise outlays are expected to go up only 4.1 percent. The typical user spends 85 percent of his budget on the purchase of merchandise and travel awards, with the remainder going toward promotion.

Travel users continue to run one such promotion a year. But in promotions featuring merchandise, the users show a median frequency of two, compared with three last year. And the incidence of combination promotions, offering both merchandise and travel, has dropped from a median of two a year to one.

Planning these campaigns takes a major commitment of time. Users in the survey tell us that, on average, they spend 14 weeks planning a merchandise-based promotion and 28 weeks on travel.

Robert G. Ikola, advertising

HOW THEY DO IT

WHO MAKES FINAL BUYING DECISION

57%	President, CEO, exec. VP or gen. mgr.
31%	Director of sales or marketing
7%	Director of advertising or sales promotion
5%	Product manager or merchandising manager

HOW DEALER INCENTIVES ARE PROMOTED

75%	Company sales force
43%	Direct mail
29%	Dealer sales meetings
21%	Literature with product
19%	Trade shows
18%	Wholesalers or brokers
9%	Trade-paper ads

WHEN MOST PROMOTIONS ARE LAUNCHED

17%	January	7%	July
6%	February	6%	August
11%	March	12%	September
8%	April	10%	October
5%	May	4%	November
8%	June	5%	December

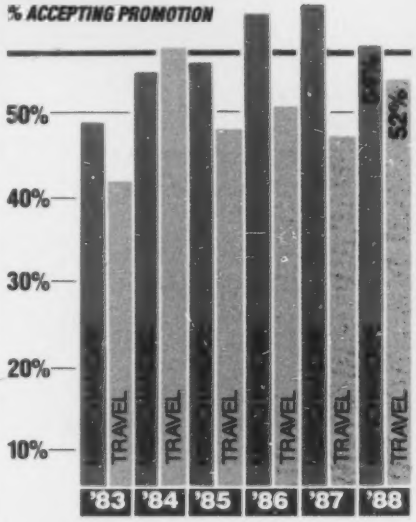
manager of Sammons & Sons, Lynwood, Calif., a maker of materials-handling supplies, says he devotes a full year to planning his incentive trips, researching "avenues, costs, time for trip, etc." He works with a travel agent. The group trips are promoted mainly through the sales force, with only 1 percent of the budget allotted for promotional materials. The actual campaign is only 12 weeks long but yields a 25-percent sales increase among participating distributors.

Planning a merchandise program can be difficult, too. Selecting a single item to appeal to the dealer audience is not easy. And then you have the problem that haunts James J. Badgero, marketing manager at Ralph Shrader Inc., Detroit, who offers incentives four times a year to dealers of the company's petroleum products: "dealers finding the chosen item for sale at retail cheaper than we can buy it through the incentive house or rep agency."

But the main concern of every incentive planner was voiced by H. Pierce Pelouze III, vice president

DEALER PARTICIPATION

% ACCEPTING PROMOTION



Participation has held steady, with an average of 53.5 percent accepting incentives.

Thanks, General Mills...
For choosing Animal Fair to design and manufacture the new Trix Rabbit, the Lucky Charms Leprechaun and the Honey Nut Cheerios Bee.
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"Come close. I must whisper."

It's me, Patrick Delaney.

Once, I was a proud spokesman for group travel to Ireland. But Patrick Delaney of The Irish Tourist Board, who shares my name, but lacks my passion, sacked me. For, among other crimes, calling seaside resorts boring piles of sand.

Now I sing my love for Ireland while on the run.

I bought this space to thank all of you who have warmed my exile with requests for the incendiary letters that made Delaney frantically apologize for, and then fire, me.

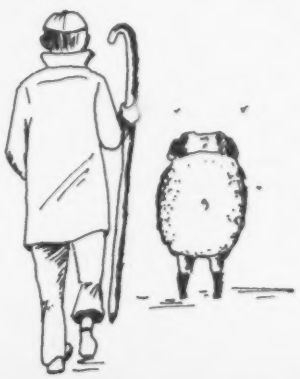
Delaney thinks he's muzzled me. Never! Though his thugs hound me, my computer is portable and I have lots of stamps. My mission continues: to tell you why you must never, ever consider a meeting or incentive destination other than my green, beautiful, affordable Ireland.

Get on my ultra-secret unauthorized mailing list. I'll tell you more.

Send your name and address to:

Patrick Delaney
PO Box 9879
Bridgeport, CT 06699

And don't tell anyone where you saw me.



WHAT CAN DEALER INCENTIVES DO?

% OF RESPONDENTS REPORTING EACH OBJECTIVE

49%	INCREASE OVERALL VOLUME	20%	BOLSTER SLOW SEASON
34%	INTRODUCE NEW PRODUCT	15%	OFFSET COMPETITION
34%	SELL NEW ACCOUNTS	15%	BUILD DEALER TRAFFIC
29%	MOVE FULL LINE/ SLOW ITEMS	11%	SUPPORT CONSUMER PROMOTION
21%	IMPROVE MORALE/ GOOD WILL	10%	PREPARE FOR STRONG SEASON

of promotion for the Campbell Soup Company, Camden, N.J.: "The greatest challenge is to develop incentive programs that will be innovative and motivating. As in advertising, overcoming the clutter of dealer or consumer incentive programs represents a problem on one hand and a significant opportunity on the other."

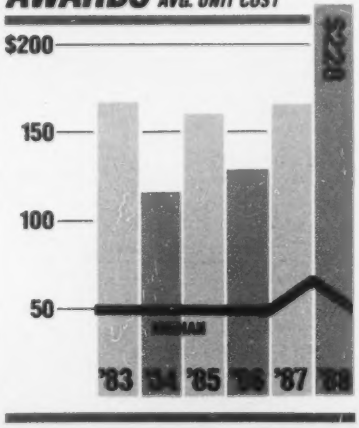
It is this challenge that keeps marketers working at incentive programs and trying to match them effectively with selling needs. Those needs fall into 10 categories in the survey. The most popular choice—the catchall, "to increase overall volume"—has been declining for the past few years. In the latest survey, it falls below a majority vote for the first time: Just 49 percent cite it as a key objective in their dealer motivation programs.

In place of such vagueness are more specific goals like selling new accounts and introducing new products, both chosen by 34 percent of survey respondents.

Forty-eight percent of the marketers design their promotions to benefit a limited group of items in their lines. Full-line promotions are favored by 36 percent, while the remaining 16 percent focus their efforts on a single product.

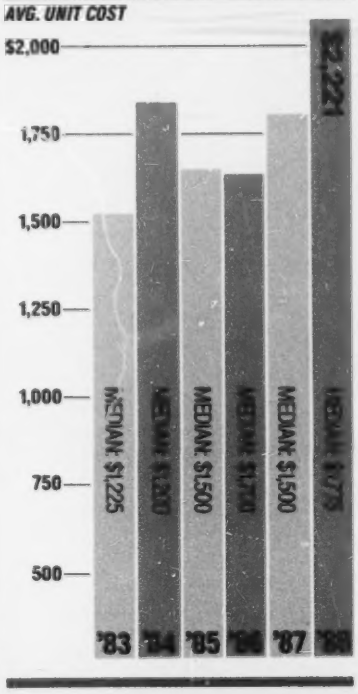
Whatever the specific objectives addressed to get there, these dealer incentive users should realize more than $26 billion in sales that they might not have reached otherwise. ■

MERCHANDISE AWARDS AVG. UNIT COST



TRAVEL AWARDS

AVG. UNIT COST



Circle No. 130 on Buyer Action Card

TOURIST CONSUMER PRICE INDEX

The chart is designed to compare the cost of one city against another. The numbers are not cost figures but indexes. To interpret the table, use Singapore as a base. All other numbers should be measured against Singapore's 100. For example, Hong Kong's hotel accommodations are slightly more than double the cost of Singapore's.

Cities	Hotel	Food & Beverage	Local Transport	Sightseeing	Composite
Singapore	100.00	100.00	100.00	100.00	100.00
Hong Kong	202.04	99.96	81.51	109.27	151.76
Bangkok	135.08	89.49	165.63	121.41	117.70
Tokyo	323.63	231.74	524.39	266.13	293.47
Jakarta	181.40	87.68	117.02	106.71	137.80
Kuala Lumpur	97.30	93.71	94.93	86.26	95.26
London	269.52	229.97	352.54	208.95	254.73
Paris	289.56	221.42	219.64	261.34	258.02
Honolulu	172.99	197.28	231.42	330.03	192.50
Los Angeles	213.05	185.18	344.19	390.42	216.03
Sydney	170.01	141.58	151.88	125.24	155.83
Manila	156.23	79.32	32.73	201.60	122.18
Seoul	230.03	134.22	81.51	168.37	182.42

Note: This study was conducted for the Singapore Tourist Promotion Board by Price Waterhouse in April/May 1987.

chard and Scotts Roads boast complex after complex of stores, most of which remain open until 10 P.M. Indigenous crafts like Chinese pottery and pewter goods are available at half the U.S. cost.

Other practical reasons make Singapore a good choice for incentive groups. "Singapore is a safe, English-speaking country with a good infrastructure," said Gary Cook, former director of sales and marketing for the Westin Stamford and Westin Plaza in Singapore. "Singapore's service, choice of hotel rooms and value for the dollar are even more compelling."

Planners have a broad choice of hotels from the 235-room colonial-style Goodwood Park to the ultra-modern 462-room Sheraton where 24-hour butler service is provided to each guest. Thanks to a glut of hotels, rooms rarely cost more than $75.

HONG KONG

Hong Kong offers world-class hotels, creative suppliers, fine service and an electricity that cannot be put into words, according to incentive travel experts.

And the British crown colony is a leader in promoting itself as an incentive destination, said PATA's Picolla. Witness the steadily increasing visitor arrival rates over the past decade: In 1987, Hong Kong welcomed close to 800,000 Americans—a 17.6-percent jump over 1986, according to PATA figures.

Hong Kong's reputation has enabled it to be a seller's market over the last few years. With demand for rooms outstripping supply, hotels have been hovering at 90-percent occupancy.

The situation may change, however. More than 8,000 new rooms are planned for Hong Kong by 1990, said Mark Barrett, national sales manager for the Hong Kong Tourist Association's convention and incentive travel bureau in Chicago. Marriott, Hyatt, Nikko and Shangri La are among those chains opening up properties.

Hong Kong's harbor is reputed to be one of the most beautiful in the world.

When planning activities, begin by asking suppliers about possibilities centered on Hong Kong's harbor, reputed to be one of the most beautiful in the world. An introduction to the active harbor can be made by transferring a group from the airport by Chinese junk. Hong Kong-based Jetway Express Limited's "Oriental Dragon" holds up to 100 passengers.

Planners also can arrange for a sunset cruise aboard a Chinese junk, followed by dinner at a floating restaurant. Or charter a junk after dinner and let winners eat dessert and sip cognac while they view the sparkling lights of the city.

A one-hour cruise to Cheung Chau Island offers a good contrast to the bustling principal island. The island boasts a beach, a rural market and no cars. In addition, the small fishing village is an ideal place to run a treasure hunt, said Barrett of the tourist association. The "treasures" can be souvenirs for winners to keep.

Lantau Island, also an hour away, is another option for planners. Winners can visit the Lo Pin monastery, reportedly home to the world's largest free-standing Buddha statue. Surrounded by a tea plantation, guests can eat a vegetarian lunch prepared by the monks.

The principal island of Hong Kong has long been considered a low-priced shopping mecca. "It is particularly appealing for Americans now, as their dollar has deteriorated in so many parts of the world," said Danielson.

However, with myriad stores to choose from, shoppers may not know that Stanley Street is the place for cameras or that Hollywood Road is a must for antiques. Fashion and shopping experts can solve the dilemma, according to Susan Alpert, president of International Travel Incentives, Santa Ana, Calif. Over breakfast, her group of floor-covering principals received a crash course on what Hong Kong has to offer. After the talk, the professional shoppers accompanied groups of about 10 into different districts.

For non-shoppers, there are many sporting opportunities—from horse racing to yachting to golf. Most of the sports boast private clubs that can be rented out.

"A day at the races enables winners to get an inside view of the locals," said Jane Schuldt, president of Pacific World Inc., Minneapolis. "Horse racing is a favorite pastime in Hong Kong. More money is bet at these tracks than any other in the world." Planners can rent a private box to view the races and have lunch or dinner at the exclusive Royal Hong Kong Jockey Club. The track's profits go to charity.

Another favorite activity is tai chi chuan, an ancient Oriental art. Planners can arrange breakfast with an instructor who will ex-